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TAGS: [PGOV](#) [PREL](#) [KZ](#)  
SUBJECT: CODEL RAHALL DISCUSSES ENERGY, SECURITY, DEMOCRACY  
WITH KAZAKHSTANI LEADERSHIP

Classified By: AMBASSADOR ORDWAY FOR REASONS 1.4 (B) AND (D)

11. (C) Summary: Codel Rahall traveled to Astana on May 28 for meetings with President Nazarbayev, Prime Minister Masimov, Foreign Minister Tazhin, State Secretary Saudabayev, and members of both houses of Parliament. The delegation's Kazakhstani interlocutors praised U.S. - Kazakhstan relations. President Nazarbayev and Foreign Minister Tazhin both said that the U.S. should stay the course in Iraq and Afghanistan. Tazhin and Saudabayev told the delegation that Kazakhstan is making progress on democracy but conditions in the region must be considered when assessing the pace of development. Codel Rahall consisted of Representatives Nick Rahall (D-West Virginia); Darrell Issa (R-California); Jack Kingston (R-Georgia); Ray LaHood (R-Illinois); Charles Melancon (D-Louisiana); and John Linder (R-Georgia). End Summary

Nazarbayev Addresses War on Terror, Iran, World View of U.S.  
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12. (C) President Nazarbayev begin his meeting with the delegation by praising U.S. - Kazakhstan relations. Responding to Representative Rahall's thanks for Kazakhstan's contributions in Iraq and Afghanistan, Nazarbayev said that the U.S. is moving in the right direction in both countries and that each conflict affects Kazakhstan. The U.S. must finish what it started in Iraq, he said. If there is a retreat, he added, terrorist attacks will increase. Nazarbayev said, however, that it is "funny" to hear President Bush say that democracy is being established in Afghanistan and Iraq. After the coalition leaves, the countries will be Islamic countries which are hopefully "at least as good as Pakistan." He also told the delegation that Kazakhstan's more religious-minded southern neighbors, Uzbekistan and Tajikistan, are susceptible to more radical positions.

13. (C) According to Nazarbayev, if force is used against Iran it will cause chaos and an increase of terrorism, a view which he said many leaders of Moslem countries share. He told President Ahmadinejad last year that Iran should abandon its nuclear program in exchange for an end to the embargo and the opportunity to create a peaceful nuclear program. Ahmadinejad replied that Iran's current program is peaceful, and that the United States will accuse Iran regardless of its intentions. Nazarbayev said that he also met at that time with Ayatollah Khamenei, and believes that Ahmadinejad was only reflecting the views of the Ayatollah. Nazarbayev opined that Saddam Hussein, while "not a good guy," at least helped to achieve balance in the region. Now, the Shias are increasing their power and Iran is a threat to the other Gulf states.

14. (C) Nazarbayev told the delegation that western oil

companies are in Kazakhstan and are flourishing. He would now like to see western companies become more involved in Kazakhstan's economic diversification and the development of the services sector. Nazarbayev expressed displeasure with the pace of progress at Kashagan. He noted problems with oil transportation and said that Kazakhstan is now developing options across the Caspian and to China.

15. (C) Nazarbayev informed the delegation that Kazakhstan does not have any major unsettled issues with the United States. He did request the delegation's assistance with Jackson - Vanik, saying that Kazakhstan is the second best country in the world for Jews to live. He also asked why the U.S. has not endorsed Kazakhstan's WTO candidacy, instead grouping it with "bad" countries. Finally, Nazarbayev reminisced that in Soviet times people believed that the U.S. was fair and good. Now, he said, the mood has changed. The U.S. needs to demonstrate its moral potential with "good acts," and not just military acts.

#### Codel Rahall Discusses Energy, Security. Democracy with Kazakhstani Leaders

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15. (C) In a meeting with Prime Minister Masimov, Representative Rahall asked for an explanation of the situation with AES. Masimov promised a just and fair solution, guaranteeing that the issue will be reviewed in accordance with the law and with the input of independent U.S. experts. Masimov predicted that oil prices have not yet peaked and will continue to rise through the Beijing Olympics. He believes that prices will rise to \$155 a barrel. The continued rise will create consumption issues in emerging markets such as India and China, leading to a

reduction of prices next year.

16. (C) Asked by Representative Issa about Kazakhstan's capital flow, Masimov answered that until last August, Kazakhstan had good access to global capital. That time, he said, will not return in the near future. The number one issue for Kazakhstan currently, according to Masimov, is risk. Previously, Kazakhstan's banks were viewed as too big to fail. Now, world banks are closely assessing the risks of Kazakhstani banks.

17. (C) Masimov said interest in Kazakhstan's hydrocarbons and agriculture sectors remains strong. Agriculture in Kazakhstan is very attractive because of rising food prices. Prices for land are also one-tenth those in Europe, said Masimov. He added that Kazakhstan has attracted interest from GMO companies, but has not yet determined its position on the issue. In other sectors, however, attracting capital is more complicated, he said.

18. (C) State Secretary Kanat Saudabayev told the delegation that there are no major problems between the U.S. and Kazakhstan. The support of the U.S. for Kazakhstan's bid to chair the OSCE in 2010 is a vote of confidence from the U.S. and recognition that Kazakhstan is moving towards true democracy. There may be issues on the pace of democratic development in Kazakhstan, said Saudabayev, but others must remember that Kazakhstan has to take into consideration domestic and regional realities. Saudabayev also questioned why "hotheads" in the U.S. Congress criticize Kazakhstan undeservedly. With each criticism, he warned, "some neighbors" tell President Nazarbayev that Kazakhstan should not bother with the United States.

19. (S) On the OSCE, Saudabayev called the chairmanship not only a big honor but also a great responsibility. Kazakhstan does not want some OSCE members states to feel like second-class citizens and wants to heighten the organization's focus on Central Asia, including Afghanistan. Saudabayev called Kazakhstan's commitment to Iraq and Afghanistan proof of the strength of U.S. - Kazakhstan relations. As another example of partnership, Saudabayev pointed to the "active cooperation" of the secret services of

the two countries.

¶10. (C) The delegation asked Foreign Minister Tazhin how the U.S. can help Kazakhstan. Tazhin responded that the U.S. should lift Jackson - Vanik restrictions. Representative Lahood asked Tazhin what the U.S. and its allies should do in Iraq. Tazhin said that "if we begin the process, then we must be responsible for the results." To leave Iraq, he said, will create serious and dangerous consequences. Looking at Central Asia, Tazhin said that change in the region cannot be "artificially forced." According to Tazhin, the U.S. should consider this when developing its policy for the region.

¶11. (C) Nurbakh Rustemov, Chairman of the Mazhilis Committee for International Affairs, asked the delegation for U.S. support for Senate Speaker Tokayev's candidacy for Deputy Chairman of the OSCE Parliamentary Assembly, assistance with Jackson - Vanik, and help with efforts to integrate Central Asia and to establish a free trade zone. Asked by Representative Rahall about the stability of the investment climate, Rustemov promised that there will not be deviations from existing agreements.

¶12. (U) This cable has not been cleared by Codel Rahall  
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